

## Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 DODE-00 PA-03 USIA-15 PRS-01 AGR-20 FDRE-00 IO-13

RSR-01 /180 W

----- 094736

R 300915Z AUG 73

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 7498

INFO AMEMBASSY ISLAMABAD

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: ECON, PK

SUBJECT: STRONG RETAIL PRICE INCREASES IN SIND AS  
RESULT OF FLOODS

REF: KARACHI 1125

1. FLOODS IN PUNJAB AND SIND AND CONSEQUENT REPORTS OF CROP DAMAGE AND DISRUPTION OF COMMUNICATIONS HAVE RESULTED IN PRICE INCREASES OF ESSENTIAL COMMODITIES IN KARACHI AND HYDERABAD TO ALL-TIME HIGHS. PANIC BUYING OWING TO FEAR OF FURTHER SHORTAGES, HOARDING BY TRADERS, AND BLACK-MARKETING OF PRICE CONTROLLED ITEMS ARE FURTHER AGGRAVATING FOOD PRICE SITUATION.

2. HAS BEEN WIDE SPREAD TALK HERE OF AN IMPENDING FOOD CRISIS FOLLOWING DESTRUCTION OF WHAT IS POPULARLY BELIEVED TO BE OVER 1 MILLION TONS OF FOOD GRAINS STORED IN FLOOD-AFFECTED AREAS, REPORTED WIDE SPREAD LOSS OF LIVESTOCK

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AND POULTRY AND PERCEIVED REDUCED CHANCES OF SECURING

FOOD ASSISTANCE FROM FRIENDLY COUNTRIES OWING LIMITED WORLD FOOD RESERVES. FEAR OF FOOD SHORTAGES HAVE RESULTED IN LONG QUEUES IN FRONT OF FOOD RATION DEPOTS TO PURCHASE WHEAT AND VEGETABLE OIL AT GOVERNMENT-CONTROLLED PRICES AND IN GREATLY INCREASED FOOD BUYING ON OPEN MARKET AS WELL.

3. WHEAT AND WHEAT FLOUR ALSO DISAPPEARING FROM OPEN MARKET IN KARACHI. AVERAGE PRICE OF FLOUR ON KARACHI OPEN MARKET AS OF AUGUST 27 HAD REACHED 90 PAISA PER SEER COMPARED WITH AVERAGE PRICE OF 78 PAISA PER SEER ON AUGUST 22 AND AVAILABLE IN LIMITED QUANTITIES ONLY. MOST FLOUR DEALERS HAVE IMPOSED VOLUNTARY RATIONING, REFUSING TO SELL MORE THAN 20 POUNDS TO ANY ONE PERSON, FEARING IMPOSITION OF FORMAL RATIONING BY GOP. WHEAT FLOUR IN GOVERNMENT FOOD STORES AT CONTROLLED PRICE OF 58 PAISA PER SEER NOT AVAILABLE IN ADEQUATE QUANTITIES, AND ALSO SUBJECT ALLOCATION OF 20 POUNDS PER PERSON. PRICE OF ONIONS, A MOST IMPORTANT VEGETABLE IN PAK DIET, HAS RISEN TO UNPRECEDENTED HIGH OF 4 TO 5 RUPEES PER SEER FROM PRICE OF ABOUT ONE RUPEE PER FOUR SEERS FEW MONTHS AGO.

4. OVER PAST FEW DAYS PROVINCIAL AUTHORITIES HAVE UNDERTAKEN NUMEROUS RAIDS ON SHOPS AND GODOWNS OF SUSPECTED FOOD HOARDERS AND HAVE DISCOVERED MANY CACHES OF FLOUR, GHEE, ETC. PUBLICITY GIVEN TO THESE RAIDS BY GOP IN DAILY PRESS, IN ADDITION TO REPEATED GOP ASSURANCES CONCERNING ADEQUACY FOOD GRAIN STOCKS, NOW SEEMS TO BE HAVING SOME EFFECT IN LIMITING PRICE INCREASES WHICH HAD BEEN GOING UP AT UNPRECEDENTED RATE LAST WEEK.

5. CONGEN E/C STAFF INSTITUTED SYSTEM OF COLLECTION RETAIL FOOD PRICE DATA IN KARACHI AND HYDERABAD SOME TIME AGO. FIRST RESULTS THIS SERIES INCLUDED IN REFTEL. DATA ON RETAIL PRICES ESSENTIAL COMMODITIES IN KARACHI AND HYDERABAD AS OF AUGUST 9, AUGUST 22 AND AUGUST 27 GIVEN BELOW IN RUPEES PER SEER (ABOUT 2 POUNDS). THESE FIGURES SHOW STRONG PRICE INCREASES FOR NEARLY ALL FOOD ITEMS, OF BETWEEN 10 AND 30 PERCENT, BETWEEN AUGUST 9 AND AUGUST 22 WITH SOME FURTHER INCREASES IN PERIOD TO AUGUST 27. FOOD PRICES FOR MOMENT APPEAR TO BE LEVELING OFF, AT LEAST PARTIALLY OWING GOP COUNTER LIMITED OFFICIAL USE

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MEASURES OUTLINED ABOVE.

	KARACHI			HYDERABAD		
	AUG 9	AUG 22	AUG 27	AUG 9	AUG 22	AUG 27
WHEAT FLOUR						
(AVERAGE)	0.75	0.78#	0.90	0.75	0.78	0.78
RICE COARSE	1.25	1.50	1.50	1.75	1.75	1.75
RICE BASMATI	3.50	3.75	3.75	3.25	3.75	3.75

PULSES (AVG)	2.70	3.20#	3.28	2.75	3.00	3.00
MILK	1.75	2.00	2.50	1.75	2.00	2.00
BEEF	4.00	3.75#	3.75	3.50	3.50#	3.50#
MUTTON	7.50	7.50#	7.50#	7.00	7.00#	7.00#
CHICKEN(LB)	3.50	4.00	4.00	NA	NA	
EGGS (DOZEN)	4.50	6.00	6.00	NA	NA	
VEGETABLE OIL (GHEE)						
(5 LB TIN)	12.75	16.00#	--	16.00#	16.00	
(IN BULK)	6.00#	6.00#	6.00#	6.00#	6.00	
COTTON CLOTH	4.50	5.00	5.00	5.00	5.00	5.00

# CONTROLLED PRICE

6. COMMENT: E/C STAFF WHO HAVE VISITED KARACHI MARKETS  
 REPORT THERE HAVE BEEN NO VIOLENT REACTIONS TO FOOD SHORTAGES  
 AND RISING PRICES, ALTHOUGH ATMOSPHERE SOMEWHAT TENSE IN  
 MAIN EMPRESS MARKET. SITUATION COULD BECOME MUCH MORE  
 SERIOUS, HOWEVER, IF DISRUPTION FOOD SUPPLY ROUTES TO NORTH  
 CONTINUES OVER ANY PROLONGED PERIOD OF TIME AND FOOD SUP-  
 PLIES FROM ALTERNATE SOURCES REMAIN UNAVAILABLE.  
 BRYANT

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